

**AUTHORIZING THE ISSUANCE AND SALE OF  
REVENUE REFUNDING BONDS PURSUANT TO  
MINNESOTA STATUTES, CHAPTER 462C, ON BEHALF  
OF SECOND STREET ACQUISITION PARTNERS  
LIMITED PARTNERSHIP, AND THE EXECUTION OF  
RELATED DOCUMENTS**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF  
MINNEAPOLIS, MINNESOTA:

1.     **Authority.** The City, pursuant to its Charter and the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 462C, as amended (the “Act”), is authorized to issue and sell its revenue bonds for the purpose of refinancing costs of authorized multifamily housing developments and to enter into agreements necessary or convenient in the exercise of the powers granted by the Act.

2.     **Authorization of Project.** Second Street Acquisition Partners Limited Partnership, a Minnesota limited partnership (the “Borrower”), is the owner and operator of 39-unit multifamily housing rental facility located at 129 North Second Street in the City (the “Project”). The acquisition and rehabilitation of the Project was financed in part with the proceeds of the City’s Multifamily Housing Revenue Bonds (Second Street Historical Partners Project), Series 1996 (the “Prior Bonds”). The Borrower has proposed to this Council a program (the “Program”) for the issuance and sale of revenue refunding bonds in one or more series and for the loan of such proceeds to the Borrower in order to (a) refund the outstanding Prior Bonds, (b) discharge certain existing indebtedness secured by a lien on the Project, and (c) fund a reserve fund. On October 17, 2002, this Council by its Community Development Committee held a public hearing on Program, following publication of notice as required by the Act, and this Council approved the Program following the hearing.

3.     **Documents Presented.** Forms of the following documents relating to the Bonds have been submitted to the City and are now on file in the office of the City Clerk:

(a)     Loan Agreement, dated as of December 1, 2002 (the “Senior Loan Agreement”), between the City and the Borrower, whereby the City agrees to make a loan to the Borrower of the gross proceeds from the sale of the City’s Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Second Street Historical

Partners Project), Series 2002A and the City's Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Second Street Historical Partners Project), Taxable Series 2002B (collectively, the "Senior Bonds"), and the Borrower agrees to pay amounts in repayment of the loan sufficient to provide for the full and prompt payment of the principal of, premium, if any, and interest on the Senior Bonds; and

(b) Indenture of Trust, dated as of December 1, 2002 (the "Senior Indenture"), between the City and LaSalle Bank National Association, as Trustee, issuing the Senior Bonds and pledging certain revenues, including those to be derived from the Loan Agreement, as security for the Senior Bonds, and setting forth proposed recitals, covenants and agreements relating thereto; and

(c) Form of the Official Statement (the "Official Statement"), describing the offering of the Senior Bonds, and certain terms and provisions of the documents relating to the Senior Bonds; and

(d) Reimbursement Agreement, dated as of December 1, 2002 (the "Reimbursement Agreement"), between the Borrower and LaSalle Bank National Association, as Letter of Credit Bank, authorizing the issuance of an irrevocable, direct-pay letter of credit to secure the Senior Bonds, and obligating the Borrower to reimburse the Letter of Credit Bank for draws under the letter of credit (this document not to be executed by the City); and

(e) Remarketing Agreement, dated as of December 1, 2002 (the "Remarketing Agreement"), between the Borrower and Dougherty & Company LLC, as Remarketing Agent, setting forth the Remarketing Agent's duties with respect to setting the interest rates on the Senior Bonds (this document not to be executed by the City); and

(f) Subordinate Loan Agreement, dated as of December 1, 2002 (the "Subordinate Loan Agreement"), between the City and the Borrower, whereby the City agrees to make a loan to the Borrower of the gross proceeds from the sale of the City's Multifamily Housing Revenue Refunding Bonds (Second Street Historical Partners Project), Subordinate Series 2002C (the "Subordinate Bonds"), and the Borrower agrees to pay amounts in repayment of the loan sufficient to provide for the full and prompt payment of the principal of, premium, if any, and interest on the Subordinate Bonds; and

(g) Subordinate Indenture of Trust, dated as of December 1, 2002 (the "Subordinate Indenture"), between the City and LaSalle Bank National Association, as Trustee, issuing the Subordinate Bonds and pledging certain revenues, including

those to be derived from the Loan Agreement, as security for the Bonds, and setting forth proposed recitals, covenants and agreements relating thereto; and

(h) Subordinate Combination Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents, dated as of December 1, 2002 (the “Subordinate Mortgage”), from the Borrower to the City, granting a mortgage lien on, a security interest in, and an assignment of leases and rents for the security of the Subordinate Bonds; and

(i) Assignment of Subordinate Mortgage, dated as of December 1, 2002 (the “Mortgage Assignment”), from the City to the Trustee, assigning to the Trustee for the further security of the Subordinate Bonds all of the City’s right, title and interest in and to the Subordinate Mortgage; and

(j) Form of Limited Offering Memorandum (the “Limited Offering Memorandum”), describing the offering of the Subordinate Bonds, and certain terms and provisions of the documents relating to the Subordinate Bonds; and

(k) Bond Purchase Agreement (the “Bond Purchase Agreement”), between Dougherty & Company LLC (the “Underwriter”), the Borrower, and the City, providing for the purchase of the Bonds from the City by the Underwriter and setting the terms and conditions of purchase of the Senior Bonds and the Subordinate Bonds; and

(l) Amended and Restated Regulatory Agreement, dated as of December 1, 2002 (the “Regulatory Agreement”), between the City, the Trustee and the Borrower, providing that certain of the Project units be rented to low- and moderate-income tenants.

The Senior Loan Agreement, the Senior Indenture, the Subordinate Loan Agreement, the Subordinate Indenture, the Subordinate Mortgage, the Assignment of Subordinate Mortgage, the Bond Purchase Agreement and the Regulatory Agreement are collectively referred to herein as the “City Documents”. The Senior Bonds and the Subordinate Bonds are collectively referred to herein as the “Bonds”.

3. **Findings.** It is hereby found, determined and declared that:

(a) The Project constitutes a multifamily housing development authorized by and described in the Act.

(b) There is no litigation pending or, to the best of its knowledge, threatened against the City relating to the Project or the Bonds, the City Documents

or any other document referenced herein or questioning the organization, powers or authority of the City.

(c) The execution, delivery and performance of the City's obligations under the Bonds and the City Documents do not and will not violate any charter provision, or any order of any court or other agency of government of which the City is aware or in which the City is a party, or any indenture, agreement or other instrument to which the City is a party or by which it or any of its property is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument.

(d) It is desirable that the Bonds be issued by the City upon the terms set forth in the Senior Indenture and the Subordinate Indenture (the "Indentures"), under the provisions of which the City's interests in the Senior Loan Agreement and the Subordinate Loan Agreement (the "Loan Agreements"), except for rights of the City to indemnity and repayment of expenses and advances, will be pledged to the Trustee as security for the payment of principal of, premium, if any, and interest on the Bonds.

(e) The Loan Agreements provide for payments by the Borrower to the Trustee for the account of the City of such amounts as will be sufficient to pay the principal of, premium, if any, and interest on all Bonds when due. The Loan Agreements obligate the Borrower to pay for or cause to be paid all costs of operation and maintenance of the Project, including adequate insurance, taxes and special assessments.

(f) Under the provisions of the Act, and as provided in the Loan Agreements and the Indentures, the Bonds are not to be payable from nor charged upon any funds of the City other than amounts payable by the Borrower pursuant to the Loan Agreements and related security provided in connection therewith, and moneys in the funds and accounts held by the Trustee which are pledged to the payment thereof; no owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the City to pay any of the Bonds or the interest thereon, nor to enforce payment thereof against any property of the City (other than the City's interests in the Loan Agreements and the Subordinate Mortgage assigned to the Trustee); the Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City (other than the City's interests in the Loan Agreement and the Subordinate Mortgage assigned to the Trustee); and each Bond issued under the Indentures shall recite that the Bond, including interest thereon, shall not constitute or give rise to a charge against the general credit or taxing powers of the City.

(g) The City has goals and policies to assist in the elimination of substandard housing conditions in the City and to prevent the recurrence of such conditions. These goals and policies can be furthered by housing persons of varied economic means and a wide range of incomes in the same developments and neighborhoods, as provided in Minn. Stat. § 462A.02, subd. 6. Based on the Project's rental structure and tenant mix, the Project furthers such goals and policies to the extent deemed necessary by the City.

(h) This Council hereby finds, determines and declares that the refunding and redemption of the Prior Bonds for the purpose of reducing debt service costs of the Borrower furthers the purposes set forth in the Act.

4. **Approval and Execution of Documents; Ratification of Acts.** The forms of the City Documents, referred to in paragraph 3, are approved. This Council hereby authorized the execution and delivery of the City Documents in the name and on behalf of the City by the Mayor, the Finance Officer and the City Clerk, or other officers of the City, in substantially the form on file, but with all such changes therein, not inconsistent with the Act or other law, as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof, and then shall be delivered to the Trustee. Copies of all documents shall be delivered and filed as provided therein.

All actions of the officers, members, staff and employees of the City heretofore taken in connection with the issuance of the Bonds described herein are hereby approved, ratified and confirmed.

5. **Approval, Execution and Delivery of the Bonds.**

(a) The City hereby authorizes the issuance of the Senior Bonds in two series: the City of Minneapolis, Minnesota Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Second Street Historical Partners Project), Series 2002A (the "Series 2002A Bonds") and the City of Minneapolis, Minnesota Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Second Street Historical Partners Project), Taxable Series 2002B (the "Series 2002B Bonds"). The Senior Bonds shall be in an aggregate principal amount of not to exceed \$5,200,000, shall bear interest at a variable rate, and shall be in the form and upon the terms set forth or to be set forth in the Senior Indenture, as such Senior Indenture is to be executed and delivered pursuant to the provisions of this resolution, and which terms are accordingly incorporated in this resolution and made a part hereof; provided, however, that the maturities of the Senior Bonds, the interest rates thereon, and the rights of optional or mandatory redemption with respect thereto shall be only as set forth in the final form of Senior Indenture to be approved, executed and delivered by the officers of the City authorized to do so by

the provisions of this Resolution, and such approval of such terms shall be conclusively evidenced by such execution and delivery. The Mayor, the Finance Officer and the City Clerk and other City Officers are hereby authorized to execute the Senior Bonds as prescribed in the Senior Indenture and to deliver them to the Trustee (which is herein designated as the authenticating agent under Minnesota Statutes, Section 475.55), together with a certified copy of this Resolution and the other documents required by Section 2.8 of the Senior Indenture, for authentication, registration and delivery to the Underwriter. As provided in the Senior Indenture, each Senior Bond shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity and regularity of the issuance thereof.

(b) The City hereby authorizes the issuance of the Subordinate Bonds in one series: the City of Minneapolis, Minnesota Multifamily Housing Revenue Refunding Bonds (Second Street Historical Partners Project), Subordinate Series 2002C. The Subordinate Bonds shall be in an aggregate principal amount of not to exceed \$1,210,000, and shall be in the form and upon the terms set forth or to be set forth in the Subordinate Indenture, as such Subordinate Indenture is to be executed and delivered pursuant to the provisions of this resolution, and which terms are accordingly incorporated in this resolution and made a part hereof; provided, however, that the maturities of the Subordinate Bonds, the interest rates thereon, and the rights of optional or mandatory redemption with respect thereto shall only be as set forth in the final form of Subordinate Indenture to be approved, executed and delivered by the officers of the City authorized to do so by the provisions of this resolution, and such approval of such terms shall be conclusively evidenced by such execution and delivery; and provided further, however, that, in no event, shall such rates of interest produce a net interest cost for the Subordinate Bonds in excess of 9% per annum. The Mayor, the Finance Officer and the City Clerk and other City Officers are hereby authorized to execute the Subordinate Bonds as prescribed in the Subordinate Indenture and to deliver them to the Trustee (which is herein designated as the authenticating agent under Minnesota Statutes, Section 475.55), together with a certified copy of this Resolution and the other documents required by Section 2.5 of the Subordinate Indenture, for authentication, registration and delivery to the Underwriter. As provided in the Subordinate Indenture, each Subordinate Bond shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity and regularity of the issuance thereof.

(c) The Underwriter has agreed pursuant to the provisions of the Bond Purchase Agreement, and subject to the conditions set forth therein, to purchase the Bonds at the purchase price stated in the Bond Purchase Agreement. Such purchase price is hereby accepted, and the sale of the Bonds to the Underwriter is hereby approved.

(d) The aggregate principal amount of the tax-exempt bonds to be issued pursuant to the authorization contained herein, consisting of the Series 2002A Bonds and the Subordinate Bonds, shall not exceed the outstanding principal amount of the Prior Bonds.

6. **Offering Materials.** The City authorizes, consents to, and approves of the distribution of the Official Statement relating to the Senior Bonds, substantially in the form on file with the City, and its use by the Underwriter in offering the Senior Bonds for sale to the public. The City further authorizes, consents to, and approves of the limited distribution of the Limited Offering Memorandum relating to the Subordinate Bonds, substantially in the form on file with the City, and its use by the Underwriter in making a limited offering of the Subordinate Bonds. Such offering materials (the "Offering Materials") are the sole materials consented to by the City for use in connection with the offer and sale of the Senior Bonds. The City has not been requested to participate in the preparation of or to review the Offering Materials and has not done so, and the City has made no independent investigation of the facts and statements provided herein; accordingly, the City assumes no responsibility with respect thereto, including without limitation as to matters relating to the accuracy, fairness, completeness or sufficiency of said Offering Materials.

7. **Authentication of Proceedings.** The Mayor, the City Clerk, the Finance Officer and the other officers of the City are hereby authorized to prepare and furnish to bond counsel and the purchaser of the Bonds, when issued, certified copies of all proceedings and records of the City relating to the Bonds, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein.

8. **Redemption of Prior Bonds.** The City consents to the refunding and redemption of the Prior Bonds and authorizes said refunding and redemption of the Prior Bonds on or about December 31, 2002. The City directs the trustee for the Prior Bonds to give notice of such redemption and defeasance as provided in the indenture relating to the Prior Bonds. The City further directs the Mayor, the Finance Officer and the City Clerk to take all necessary steps to defease the Prior Bonds, to discharge the lien of the Prior Bonds Indenture, and to release all other liens related to the Prior Bonds.

9. **Nature of City's Obligations.** All covenants, stipulations, obligations and agreements of the City contained in this resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of

the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the City. Except as otherwise provided in this resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant or agreement contained in the aforementioned documents, the Bonds or in any other document related to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Project or the proceeds of the Bonds which are to be applied to the payment of the Bonds, as provided therein and in the Indentures. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal of the Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenues and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.



10. **Severability.** If any one or more of the provisions of this resolution, the City Documents, or the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

11. **Payment of Costs.** The Borrower has agreed to pay directly or to reimburse the City for all costs incurred by the City in connection with the issuance, sale and delivery of the Bonds and the execution and delivery of the documents referred to above or any other agreement or instrument relative to the Bonds, whether or not actually issued or delivered, such as costs of publication of legal notices.

12. **Authorized Officers.** The Bonds, the City Documents and any other documents referred to herein are authorized to be executed on behalf of the City by its Mayor, Finance Officer, City Clerk, or any member of this Council; provided that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution shall have resigned or shall for any reason be unable to do so, any member of the City, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this resolution.

13. **Appointment of Trustee.** The Trustee is hereby appointed as Trustee, Paying Agent and Bond Registrar for the Bonds.

14. **Effective Date of Resolution.** This Resolution shall take effect upon publication.